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DEPARTMENT OF AUDITOR-CONTROLLER**

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October 19, 2007

TO: Supervisor Zev Yaroslavsky, Chairman  
Supervisor Gloria Molina  
Supervisor Yvonne B. Burke  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley *tm*  
Auditor-Controller

SUBJECT: **NORTHEAST VALLEY HEALTH CORPORATION – A DEPARTMENT  
OF PUBLIC HEALTH HIV/AIDS PREVENTIVE CARE AND CARE  
SERVICES PROVIDER**

We have conducted a fiscal review of Northeast Valley Health Corporation (Northeast or Agency), a Department of Public Health (DPH) HIV/AIDS preventive care and care services provider.

**Background**

DPH's Office of AIDS Programs and Policy (OAPP) contracts with Northeast to provide HIV/AIDS case management, mental health counseling, AIDS Drug Assistance Programs enrollment screening, medical outpatient services, resistance testing, nutritional counseling, health education, oral health care and family support services. Northeast is located in the Third District.

At the time of our review, Northeast had six contracts with OAPP and was paid approximately \$921,000 in OAPP funds from January 1, 2005 to June 30, 2006.

**Purpose/Methodology**

The purpose of our review was to ensure that Northeast appropriately spent funds in accordance with the County contract. We also evaluated the adequacy of Northeast's accounting records, internal controls and compliance with the contract and applicable

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federal and State fiscal guidelines governing the Ryan White, Comprehensive AIDS Resource Emergency (CARE) Act. In addition, we determined whether the Agency provided services to eligible participants.

### **Results of Review**

Generally, Northeast maintained sufficient controls over its business operations to ensure that OAPP funds were appropriately used for program related activities and their business transactions were accurately recorded. However, Northeast billed OAPP \$7,053 in costs for services that were already reimbursed by third party payers. The County contract requires OAPP funds to be used only for services that cannot be paid for through other sources.

In addition, Northeast allocated payroll costs based on budgeted positions not actual time spent by employees performing OAPP related activities as required by the County contract. Northeast did not require their staff to report the actual hours worked on the OAPP program on their timecards.

The details of our review along with recommendations for corrective action are attached.

### **Review of Report**

We discussed our report with Northeast on June 26, 2007. In their attached response, Northeast management agreed with our findings and recommendations. We also notified OAPP of the results of our review.

We thank Northeast personnel for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

c: William T Fujioka, Chief Executive Officer  
Jonathan E. Fielding, Director, Public Health Department  
Kimberly Wyard, Chief Executive Officer, Northeast Valley Health Corporation  
Patricia Moraga, Chief Financial Officer, Northeast Valley Health Corporation  
Public Information Office  
Audit Committee

**HIV/AIDS PREVENTIVE CARE AND CARE SERVICES  
NORTHEAST VALLEY HEALTH CORPORATION  
FISCAL YEAR 2006-2007**

**ELIGIBILITY**

**Objective**

Determine whether Northeast Valley Health Corporation (Northeast or Agency) provided services to individuals that meet the eligibility requirements of the Office of AIDS Programs and Policy (OAPP).

**Verification**

We reviewed the case files for 39 program participants that received services from December 2005 to March 2006 for documentation to confirm the participants' eligibility for OAPP services.

**Results**

All 39 program participants' case files reviewed contained documentation to support the participants' eligibility to receive program services.

**Recommendation**

**There are no recommendations in this section.**

**CASH**

**Objective**

Determine whether cash receipts are properly recorded in the Agency's accounting records and deposited timely into the Agency's bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

**Verification**

We interviewed Northeast's personnel and reviewed their financial records. We also reviewed the February and March 2006 bank reconciliations that the Agency prepared for their three bank accounts.

**Results**

Northeast appropriately recorded and deposited cash receipts timely to the Agency's bank account. Also, Northeast performed monthly reconciliations. However, one of the six bank reconciliations reviewed was not signed by the reviewer.

**Recommendation**

1. **Northeast management ensure that all bank reconciliations are signed by the reviewer.**

**REVENUE****Objective**

Determine whether revenues are properly recorded and reimbursement claims to OAPP are accurately prepared and calculated. In addition, determine whether fees collected from clients for services provided and third party payments (i.e., private insurance, Medi-Cal or Medicare) are recorded and reported to OAPP.

**Verification**

We reviewed Northeast's financial records and reviewed the monthly invoices and annual Cost Reports submitted to OAPP.

**Results**

Northeast properly recorded revenue from other sources. However, the Agency billed OAPP \$7,053 for services that were already reimbursed by Medi-Cal and other third party payers. The County contract requires OAPP funds to be used only for services that cannot be paid for through other sources. In addition, Northeast management did not report revenue from third party payers to OAPP as required.

**Recommendations****Northeast management:**

2. **Work with OAPP to repay the \$7,053 for services paid by Medi-Cal and other third party payers.**
3. **Ensure OAPP is not billed for services that are reimbursable through other sources.**

**EXPENDITURES****Objective**

Determine whether program expenditures were allowable under the County contract, properly documented and accurately billed.

**Verification**

We interviewed Agency personnel, reviewed financial records and reviewed documentation for expenditure transactions billed by the Agency from March 2005 to May 2006, totaling \$11,783.

**Results**

The Agency overbilled for an expenditure totaling \$381 that was based on an estimate not actual cost. Specifically, the Agency billed OAPP for 15 x-rays when only three x-rays were performed in February 2006.

**Recommendations****Northeast management:**

4. Repay DPH \$381.
5. Ensure billings to OAPP are based on actual costs.

**INTERNAL CONTROLS****Objective**

Determine whether the contractor maintained sufficient internal controls over its business operations.

**Verification**

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit and tested transactions in various non-cash areas such as expenditures, payroll, and personnel.

**Results**

Generally, the Agency maintains sufficient internal controls over their business operations. However, the Agency can improve their approval process for petty cash reimbursements. In two instances an individual that received a petty cash reimbursement also approved the expenditures. The reimbursements totaled \$657.

**Recommendation**

6. Northeast management ensure that individuals do not approve payments to themselves.

**FIXED ASSETS AND EQUIPMENT****Objective**

Determine whether the Agency's fixed assets made with OAPP funds are used for the OAPP program and that the assets are safeguarded.

We did not perform testwork in this section as the Agency did not purchase fixed assets using OAPP funds.

**PAYROLL AND PERSONNEL****Objective**

Determine whether payroll is appropriately charged to the OAPP program. In addition, determine whether personnel files are maintained as required.

**Verification**

We traced and agreed payroll expenditures totaling \$16,800 to supporting documentation. We also reviewed the personnel files for ten employees assigned to the OAPP program.

**Results**

Generally, Northeast maintained the required personnel records. However, Northeast's payroll billings were based on budgeted full time positions not actual time spent by each employee performing OAPP related activities as required by the County contract. In addition, Northeast did not require their staff to report the actual hours worked on the OAPP program on their timecards. As a result, we were unable to verify the appropriateness of the payroll expenditures billed to OAPP.

**Recommendations****Northeast management:**

7. Ensure payroll billings are based on actual hours spent by employees performing OAPP related activities
8. Ensure all employees record actual hours worked each day on their time reports to support the time spent on program activities.

**COST ALLOCATION PLAN****Objective**

To determine whether Northeast's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the plan to appropriately allocate shared program expenditures.

**Verification**

We reviewed Northeast's Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency from September 2005 to March 2006 to ensure that the expenditures were properly allocated to the Agency's programs.

**Results**

As previously mentioned, the Agency billed payroll and non-payroll expenditures to the OAPP program based on budget and not actual costs.

**Recommendation**

**Refer to Recommendations 4, 7 and 8.**



## Northeast Valley Health Corporation

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*"Serving the medically underserved in the San Fernando and Santa Clarita Valleys since 1973"*

October 16, 2007

Kimberly Wyard, C.E.O.

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Ms. Maria McGloin  
Countrywide Contract Monitoring Division  
Department of Auditor - Controller  
County of Los Angeles  
1000 S. Fremont Ave.  
Unit 51 - Building AE East  
Alhambra, CA 91803-4737

### RE: AUDIT REPORT - HIV / AIDS PROGRAM CONTRACTS

Dear Ms. McGloin:

We have reviewed the revised draft audit report of the HIV / AIDS Program funds allocated to our agency by the Department of Public Health, Office of AIDS Program and Policy (OAPP). Per your request, the following is our written response to the finding and recommendations that are included in the audit report dated September 2007.

**Recommendations No. 1:** Northeast Valley Health Corporation managements to ensure that all bank reconciliations are signed by the reviewer.

Northeast Valley Health Corporation (NEVHC) concurs with the auditor's recommendation. At the time of the audit for the HIV / AIDS programs, NEVHC was also being audited by the agency auditors and by the State Medi-Cal Auditors and one out of twenty monthly bank reconciliations was not signed by the reviewer in a timely fashion. The Accounting Managers is responsible to ensure that monthly bank reconciliations are accurately prepared and signed in a timely manner. This was an over site by the manager.

**Recommendation No. 2:** Northeast Valley Health Corporation management to work with OAPP to repay \$7,053 for services paid by medi-cal and other third party payers.

NEVHC concurs with the auditor's recommendation. However, for the audit period in questioned NEVHC did not have a good understanding and/or clear direction from OAPP on how to report to OAPP third party payments generated from patients funded by OAPP. NEVHC will work with OAPP to replay the \$7,053 for services paid by Medi-Cal and/other third payers.



**Recommendation No. 3:** Ensure OAPP is not billed for services that are reimbursable through other sources.

NEVHC concurs with the Auditor's recommendation. Effective March 2007, NEVHC is reporting to OAPP third party payments received from patients funded by OAPP.

**Recommendation No. 4:** Repay DPH \$381

NEVHC concurs with the auditor's recommendation.

**Recommendation No. 5:** Ensure billings to OAPP are based on actual costs.

NEVHC concurs with the auditor's recommendation. NEVHC will ensure that X-ray costs are billed based on actual cost for services performed by our centralized X-ray department.

**Recommendation No. 6:** NEVHC management ensures that individuals do not approve payments to themselves.

NEVHC concurs with the auditor's recommendation. NEVHC has transferred the petty cash fund from the HIV Director to an administrative Assistance to eliminate the conflict where the person receiving the petty cash reimbursement and approving the expenditure is not the same person.

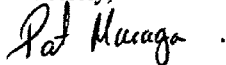
**Recommendation No. 7:** Ensure payroll billings are based on actual hours spent by employees performing OAPP related activities.

**Recommendation No. 8:** Ensure all employees record actual hours worked each day on their time reports to support the time spent on program activities.

NEVHC concurs with the auditor's recommendations No. 7 and No. 8. NEVHC ensures that employees are charged directly to the programs for which work is performed. When employees work for more than one program, salaries and wages are allocated based on time spent on each program or grant. Employees assigned to more than one program are expected to complete an Employee Time Sheet record to document time spent on each Program. Employees assigned to more than one program are required to document activity at a minimum of twice a year.

If you have any questions or the need for additional information please contact me at (818) 898-1388 Ext. 41622.

Sincerely,



Patricia Moraga,  
Chief Financial Officer